

# MONTHLY REVENUE REPORT

## August 2001

The revenue collected from 12 of Michigan's major General Fund and School Aid Fund earmarked taxes declined 2.6% in August, compared with last year's level. While revenues were up for six of these major taxes – including the sales, use, and income taxes – these revenue gains were more than offset by a significant decline in single business tax revenue. This marked the seventh time in the past 10 months that tax revenues fell below their year-ago levels. The revenue from these 12 major taxes totaled \$1.53 billion in August, which was \$40 million below last year's level. On a fiscal year-to-date basis, the revenue generated by these 12 major taxes is down 2.6%, which is running below the 1.3% revenue decline estimated for FY 2000-01 at the May 2001 Consensus Revenue Estimating Conference. It now appears that the revenue collected in FY 2000-01 from these major taxes will fall short of the May 2001 consensus estimate in the range of \$120 million to \$170 million.

Gross income tax collections totaled \$538 million in August, which was up 4.1% from last year's level. This represents the strongest monthly gain in income tax collections so far this fiscal year. Leading the increase in income tax collections was a 4.3% gain in the tax directly withheld from workers' earnings, while quarterly estimated payments were down 1.3%, and annual payments were up 1.9%. Despite the improvement in income tax collections in August, fiscal year-to-date collections are still down 4.2% from last year's level, which is running behind the consensus estimate for FY 2000-01 of a 3.1% decline.

Sales tax revenue totaled \$543 million in August, which was up 1.0% from last year's level. This marked the second month in a row that sales tax collections have topped the year-ago level. The increase in August was attributable to a 6.7% increase in sales tax receipts from motor vehicle transactions, as sales tax collections from all other taxable retail transactions were down 0.1%. So far this fiscal year, sales tax collections are up 0.6%, which is short of the 2.1% increase estimated for FY 2000-01.

Single business and insurance tax collections fell 23.1% in August to \$187 million. While the slowdown in economic activity over the past year, together with the ongoing reduction in the rate of the single business tax, has pulled down the receipts from these business taxes, the sharp decline in August overstates the actual level of weakness in these business taxes. Much of the decline in August was due to a shift in when taxpayers submitted their quarterly single business tax payment that was due at the end of July. This payment is made by taxpayers in July and August, and this year a much smaller share of these payments was received in August compared with last year's payments. Therefore, a more accurate view of the current weakness in single business and insurance tax collections is revealed by combining July and August collections, which were down 9.3% compared with year-ago July-August collections. On a fiscal year-to-date basis, single business and insurance tax collections are down 10.0%, which compares with the 8.6% decline estimated for FY 2000-01 at the May Consensus Revenue Estimating Conference.

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for August 2001, along with their fiscal year-to-date revenue collections and growth rates. Also presented are their respective consensus revenue estimates for FY 2000-01.

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MICHIGAN REVENUE UPDATE  
AUGUST 2001  
(dollars in millions)



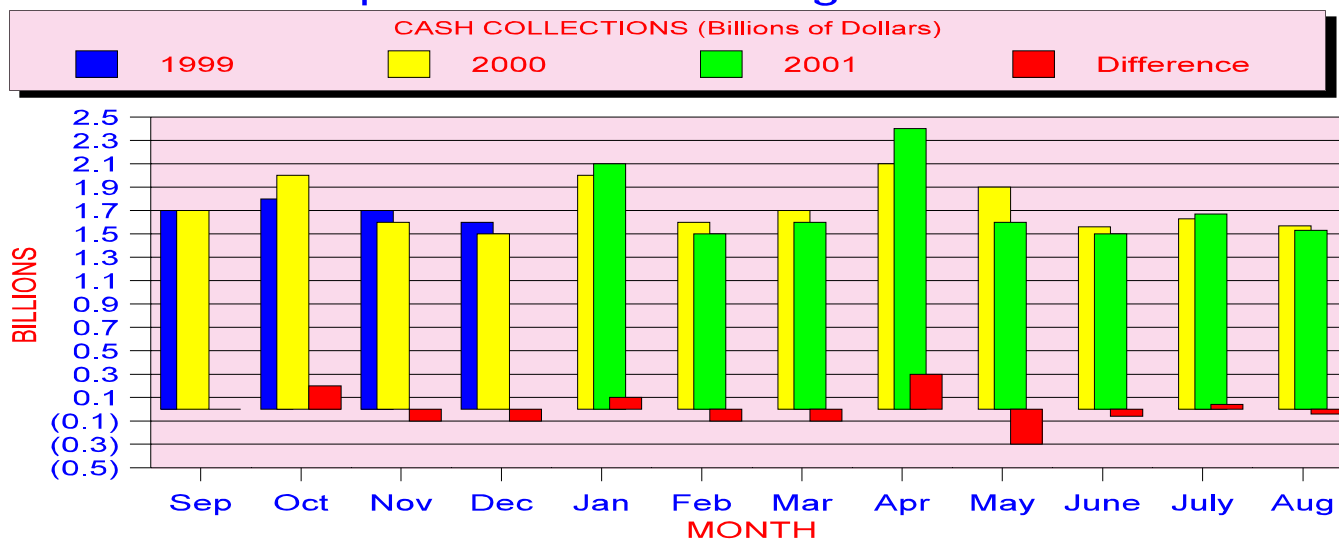
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Type of Revenue	August Collections		FY 2000-01 to Date <sup>2)</sup>		FY 2000-01 Estimate <sup>3)</sup>	
	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From Year Ago
Income Tax						
Withholding	\$514.2	4.3%	\$5,536.6	(2.5)%	\$6,622.7	(1.9)%
Quarterly Payments	7.8	(1.3)	600.1	(9.4)	833.3	(3.4)
Annual Payments	15.9	1.9	658.9	(12.6)	691.5	(12.6)
Gross Income Tax	\$537.9	4.1%	\$6,795.6	(4.2)%	\$8,147.5	(3.1)%
Sales Tax	542.8	1.0	5,274.1	0.6	6,407.8	2.1
Use Tax	116.9	0.6	1,093.7	(2.3)	1,338.2	(1.3)
Tobacco Tax	33.2	(29.1)	473.1	(4.0)	591.8	(2.1)
Single Business & Insurance Taxes	187.3	(23.1)	1,944.3	(10.0)	2,300.5	(8.6)
State Education Property Tax	68.1	4.1	945.4	8.6	1,463.4	5.9
Real Estate Transfer Tax	23.9	13.3	206.4	2.5	252.0	(2.0)
Estate/Inheritance Tax	13.7	(13.3)	129.6	(9.0)	185.0	4.3
Oil & Gas Severance Tax	4.6	(17.9)	52.5	48.3	63.0	43.5
Total	\$1,528.4	(2.6)%	\$16,914.7	(2.6)%	\$20,749.2	(1.3)%
<b>Addendum:</b>						
Gross Lottery Sales <sup>4)</sup>	\$155.4	33.6%	\$1,507.5	(2.4)%	\$1,643.8	(3.0)%
Net Lottery to School Aid <sup>4)</sup>	\$ 56.6	17.7%	\$ 548.7	(2.1)%	\$ 600.0	(3.0)%

1) Total collections are unadjusted cash collections unless otherwise noted.  
2) FY 2000-01 year-to-date collections begin with November 2000 collections to reflect accrual accounting.  
3) Revenue estimates adopted at the May 15, 2001, Consensus Revenue Estimating Conference.  
4) Lottery revenue is not accrued, so FY 2000-01 lottery revenue will include October 2000 to September 2001.

## Actual Revenue Collections for 12 Major State Taxes\* September 1999 to August 2001



\* Comparison of actual collections. The 12 taxes include the income (withholding, quarterly payments and annual payments), sales, use, tobacco, SBT, insurance retaliatory, estate, oil and gas severance, State education, and real estate transfer taxes.